Losses & Drawdowns

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- If you think 8 losses in a row is not going to happen to you, you are going to be very disappointed.
- Never risk more than 2% per trade.
- Trader 2 on the bottom identified the fact that they are not perfect.
- Trader 2 cuts risk in half after a loss.
- Trader 2 cuts risk in half again after another loss in a row.
- After 1 loss, trader 2 is risking 1% per trade.
- After 2 losses, trader 2 is risking 0.5% per trade.
- There is no need to lower risk to less than 0.5%.
- You will only risk 0.5% per trade until you have made at least 50% of the drawdown of the equity dip from the trade risking 1%.
- You will risk 1% per trade until you make at least 50% of the equity dip from the trade risking 2%.

Compare The Standard Trader's Thoughts On Risk...

Equity	Risk 2%	
$10,000.00	$200.00	Loss 1
$9,800.00	$196.00	Loss 2
$9,604.00	$192.08	Loss 3
$9,411.92	$188.24	Loss 4
$9,223.68	$184.47	Loss 5
$9,039.21	$180.78	Loss 6
$8,858.42	$177.17	Loss 7
$8,681.26	$173.63	Loss 8

Equity Drawdown Of $1,318.74

Percentage Drawdown **13.19%**

Equity	Risk 2%	
$10,000.00	$200.00	Loss 1
$9,800.00	$98.00	Loss 2
$9,702.00	$48.51	Loss 3
$9,653.49	$48.27	Loss 4
$9,605.22	$48.03	Loss 5
$9,557.20	$47.79	Loss 6
$9,509.41	$47.55	Loss 7
$9,461.86	$47.31	Loss 8

Equity Drawdown Of $538.14

Percentage Drawdown **5.38%**

- It takes trader 2 24+ losses in a row to reach the same drawdown that trader 1 had in 8 losses in a row. Trader 1 was risking 2% on every trade and not cutting back risk after a loss.

Equity	Risk 2%	
$10,000.00	$200.00	Loss 1
$9,800.00	$98.00	Loss 2
$9,702.00	$48.51	Loss 3
$9,653.49	$48.27	Loss 4
$9,605.22	$48.03	Loss 5
$9,557.20	$47.79	Loss 6
$9,509.41	$47.55	Loss 7
$9,461.86	$47.31	Loss 8
$9,414.55	$47.07	Loss 9
$9,367.48	$46.84	Loss 10
$9,320.64	$46.60	Loss 11
$9,274.04	$46.37	Loss 12
$9,227.67	$46.14	Loss 13
$9,181.53	$45.91	Loss 14
$9,135.62	$45.68	Loss 15
$9,089.95	$45.45	Loss 16
$9,044.50	$45.22	Loss 17
$8,999.27	$45.00	Loss 18
$8,954.28	$44.77	Loss 19
$8,909.51	$44.55	Loss 20
$8,864.96	$44.32	Loss 21
$8,820.63	$44.10	Loss 22
$8,776.53	$43.88	Loss 23
$8,732.65	$43.66	Loss 24

Equity Drawdown Of **$1,267.35**
Percentage Drawdown **12.67%**

Equity	Risk 2%	
$10,000.00	$200.00	Loss 1
$9,800.00	$196.00	Loss 2
$9,604.00	$192.08	Loss 3
$9,411.92	$188.24	Loss 4
$9,223.68	$184.47	Loss 5
$9,039.21	$180.78	Loss 6
$8,858.42	$177.17	Loss 7
$8,681.26	$173.63	Loss 8

Equity Drawdown Of **$1,318.74**
Percentage Drawdown **13.19%**

- With this method you can get knocked around and take some hits, but it will not take you out of the business.